

MEMORANDUM

**To:** Board of Regents

**From:** Board Office

**Subject:** Organizational Review, Phase I Report

**Date:** January 10, 2002

**Recommended Actions:**

1. Receive the Report from MGT of America on Phase I of the Organizational Review.
2. Approve the recommendations as proposed by MGT for Phases II and III.
3. Approve the assignments and schedule for Phases II and III.

**Executive Summary:**

Last May the Board approved a three phase Organizational Review of the Board, Board Office and the five institutions. MGT of America, a consulting firm from Tallahassee, Florida was selected to undertake Phase I of the Review: the identification of areas to be studied to improve efficiency, effectiveness, and accountability of the Regent enterprise. Phases II and III were to be short term and longer term in-depth studies of the areas identified in Phase I. Phase I is now complete. This report provides the results of Phase I of the Regent Organizational Review.

**Strategic Plan:**

The Organizational Review, because of its scope, addresses almost all aspects of the Board's Strategic Plan but especially addresses K.R.A. 4.0.0.0 "providing effective stewardship of the institutions". K.R.A. 4.2.0.0 in particular addresses the improvement of the operational effectiveness and efficiency of the institutions.

**Seventeen Recommendations:**

The MGT Report on Phase I recommends seventeen (17) in-depth studies of areas that MGT believes will lead to greater efficiency and effectiveness for the Board, Board Office and the Regent institutions.

**Review Meeting Schedule**

**Recommendation II -1:** The Board of Regents should review their current meeting schedule and agenda arrangements to determine if travel costs can be reduced and staff productivity increased while still enabling the Regents to fully execute their responsibilities.

**Review Purchasing**

**Recommendation II -2:** A Board of Regents committee should review the current purchasing, contracting, and personnel appointment approval thresholds with the objective of delegating more decision-making authority to the institutions.

Review Academic Delivery System	<b>Recommendation II –3:</b> The Board of Regents should prioritize and undertake a review of the instructional, research, and public service delivery systems at each university with the objective of streamlining the delivery systems and reallocating academic resources.
Review Revenue Enhancement Opportunities	<b>Recommendation II –4:</b> The Board of Regents should prioritize and conduct a review of revenue enhancement opportunities and establish a revenue growth schedule for each university.
Evaluate Health Benefit Plans	<b>Recommendation II –5:</b> The Board of Regents should conduct an evaluation of its health benefit plans for faculty and professional and scientific employees to learn of actions taken to manage costs and to determine appropriate action to control future cost increases.
Review Purchasing	<b>Recommendation II –6:</b> The Board of Regents, working with institutional officials, should conduct a review of the purchasing policies and practices with the objective of reducing both the operational costs of purchasing activities and the prices paid for goods and services.
Review Reallocation Processes	<b>Recommendation II –7:</b> The Board of Regents should review the processes and the results of the reallocation policy over the past five years.
Improve IEP Process at ISD	<b>Recommendation II –8:</b> The Iowa School for the Deaf should conduct a business process analysis of the individual education plans (IEP) process to identify opportunities for increased efficiency through the use of technology and changes to the process.
Review Role of Advisory Boards	<b>Recommendation II –9:</b> The Board of Regents should review the role and composition of the special schools Advisory Boards and update as necessary. Consideration should be given to inclusion of representatives of parents, special school staff, students, K-12 educators, and the Department of Education.
Study Selected Statutes	<b>Recommendation II –10:</b> The Board of Regents should, after further study, propose modifications to state statutes and other policies to achieve efficiencies.
Examine Models for Assessing Space Needs	<b>Recommendation III –1:</b> The Board of Regents should examine criteria and models for assessing the total facility space needs and the level of classroom and laboratory utilization and for guiding the design of new and renovated buildings. This objective system should then be used as a guideline to assess the facility needs and utilization of each campus.
Review Deferred Maintenance Process	<b>Recommendation III –2:</b> The Board of Regents should review the process used to determine deferred maintenance needs of the institutions and assess the full needs of the institutions in deferred maintenance funds.

Review Reports	<b>Recommendation III -3:</b> The Board of Regents should review its governance reporting requirements with the objective of streamlining the reporting requirements while maintaining an adequate accounting system.
Monitor Athletics	<b>Recommendation III -4:</b> The Board of Regents, working with university officials, should continue to monitor the athletic programs at each of the universities.
Undertake Re-engineering Study	<b>Recommendation III -5:</b> Each university should prioritize and continue to undertake, when appropriate, re-engineering studies of institutional administrative and support services with the objective of reducing operating costs by eliminating unnecessary and duplicative work tasks, eliminating bottlenecks, and improving automated systems, where cost effective, and report actions taken to the Board of Regents.
Review Enterprise Funds	<b>Recommendation III-6:</b> Each of the Regent universities should conduct a critical review of both current enterprise funds and potential new enterprise funds. The evaluation of current funds should include: (1) a determination of whether to keep the fund, (2) a phased elimination of direct funding, (3) the introduction of competition from private businesses, and (4) a determination of whether savings could be achieved by outsourcing the operation. The evaluation of potential enterprise funds should include the identification and assessment of other opportunities to establish such funds.
Review Administrative Procedures at IBSSS	<b>Recommendation III-7:</b> The Iowa Braille and Sight Saving School should conduct an in-depth review of the administrative procedures and the roles and responsibilities of administrative and support staff to determine where effectiveness and efficiencies can be gained.

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TABLE 1

PHASE II AND III RECOMMENDATIONS  
BOARD OF REGENTS, STATE OF IOWA  
ORGANIZATIONAL REVIEW ASSIGNMENTS

L = Lead  
P = Participate  
C = Coordinate  
A = Assist as Needed  
N/A = Not Applicable

Recommendation Number & Summary	MGT	Board Office	SUI	ISU	UNI	ISD	IBSSS
<b>Phase II Recommendations</b>							
II-1 Reduce Number of Regent Meetings	A	L	P	P	P	P	P
II-2 Review BOR Approval Thresholds	A	L	P	P	P	P	P
II-3 Streamline Instructional Program Delivery - Part 1	L1	C1	P1	P1	P1	N/A	N/A
II-3 Streamline Instructional Program Delivery - Part 2	A2	C2	L2	L2	L2	N/A	N/A
II-4 Review Revenue Enhancement Opportunities	A	C	L	L	L	N/A	N/A
II-5 Conduct Review of Regent Employee Health Insurance	A	L	P	P	P	P	P
II-6 Review Purchasing Policies and Practices	A	L	P	P	P	P	P
II-7 Improve Reallocation Process	L	A	P	P	P	P	P
II-8 Streamline ISD process for Individual Education Plan	A	P	N/A	N/A	N/A	L	N/A
II-9 Review Role and Composition of Advisory Boards	A	L	N/A	N/A	N/A	P	P
II-10 Seek Modifications to State Regulatory Statutes	L	C	A	A	A	A	A
II-11 Conduct Further Review of Governance Reports	L	P	P	P	P	P	P
II-12 Monitor Athletic Programs	PSG-A	PSG-L	PSG-P	PSG-P	PSG-P	N/A	N/A
<b>Phase III Recommendations</b>							
III-1 Establish Facility Needs and Utilization Criteria	A	L*	P	P	P	N/A	N/A
III-2 Determine Deferred Maintenance Needs - Part 1	L1	C1	P1	P1	P1	P	P
III-2 Determine Deferred Maintenance Needs - Part 2	A2	C2	L2	L2	L2	P	P
III-3 Re-engineer Administrative Processes at universities	A	C	L	L	L	N/A	N/A
III-4 Review Enterprise Funds	A	C	L	L	L	N/A	N/A
III-5 Review administrative procedures at IBSSS	A	L	N/A	P	N/A	N/A	P

\*Board Office identifies specialists

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**Analysis:**

The Board Office is recommending approval of the seventeen studies and a schedule with specific assignments. These assignments and the schedule are shown in Table 1. The schedule with Table 1 varies only slightly from that proposed by MGT in that two Phase III studies (III-3 and III-4) have been moved to Phase II and re-numbered as II-11 and II-12. This means that these two studies will be included in Phase II to begin immediately upon Board approval.

**Assignment  
Schedule**

The assignment codes are shown in the upper left corner and identify the lead organization (L), the participants in the study (P), the coordinating organization (C), and the assisting organization (A).

The Phase II studies will begin immediately upon Board approval. All Phase II studies are expected to be completed within a year, and many will be completed in six months or less. The Phase III studies will be phased in as time and resources permit and as the Phase II studies are completed.

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Approved: \_\_\_\_\_

  
Robert J. Barak

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**Phase I –  
A Comprehensive Organizational Review of  
The Board of Regents, State of Iowa**

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**Submitted to:**

**Board of Regents, State of Iowa  
11260 Aurora Avenue  
Urbandale, Iowa 50322**

**Submitted by:**

**MGT of America, Inc.  
2123 Centre Pointe Boulevard  
Tallahassee, Florida 32308**

**January 7, 2002**

## TABLE OF CONTENTS

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	PAGE
EXECUTIVE SUMMARY.....	i
1.0 INTRODUCTION.....	1-1
1.1 Project Background.....	1-1
1.2 Scope of Engagement .....	1-2
1.3 Methodology.....	1-3
1.4 Acknowledgements .....	1-4
2.0 FINDINGS .....	2-1
2.1 Accomplishments and Commendations.....	2-1
2.2 State Government Rules, Statutes, Reporting, and Processes .....	2-4
2.3 Regent Rules, Regulations, Reports, and Process Requirements.....	2-5
2.4 Costs of Academic Program Delivery .....	2-6
2.5 Revenue Generation .....	2-8
2.6 Use of Technology.....	2-10
2.7 Administrative Systems.....	2-11
2.8 Outsourcing .....	2-11
2.9 Purchasing.....	2-12
2.10 Facility Planning, Construction, Maintenance, and Utilization.....	2-12
2.11 Athletics.....	2-14
2.12 Regents' Two Percent Reallocation Policy .....	2-15
2.13 Economic Growth .....	2-15
2.14 Employee Health Insurance Coverage .....	2-18
2.15 Enterprise Funds .....	2-19
3.0 RECOMMENDATIONS .....	3-1
3.1 Phase II Recommendations.....	3-1
3.2 Phase III Recommendations.....	3-4

## EXECUTIVE SUMMARY

The Board of Regents takes seriously its responsibility to be good stewards of Iowa's three state universities and two special schools. In fulfilling this responsibility, the Board has initiated a number of efforts over the years aimed at ensuring that operations of the institutions under its trust continue to be effective and efficient.

In June 2001, the Board of Regents engaged MGT of America, Inc., to conduct Phase I of an organizational review of the five institutions, the Board, and the Board's central office. This initial diagnostic review was conducted to assess the overall structure and efficiency of each institution as well as the system as a whole. The review considered issues such as: academic and related support programs, outreach programs, student services, general administration, facilities management, and potential revenue. The Board believes the current review will be valuable in making further improvements, and can be expected to help in the continued development of the strategic plans that are necessary to carry out the mission of each institution and the Board.

Overall, MGT determined that the citizens of Iowa should be proud of the quality of their Regent institutions. MGT found each of them to be efficient compared with those in other states reviewed in the past. However, external conditions are causing major budget shortfalls this year and have created a climate in which even greater performance will be required. In light of this, MGT's approach was to examine every facet of operations to determine opportunities for even higher levels of efficiency or revenue enhancement. Therefore, a number of recommendations for further study were developed relating to:

### Institutional Operations

- instructional, research, and public service delivery systems;
- revenue enhancement opportunities and revenue growth schedules;
- cost of health benefit plans;
- purchasing policies and practices;
- role and composition of special school advisory boards;
- administrative and support services; and
- current and potential new enterprise funds.

### Board of Regents

- approval thresholds for purchasing, contracting, and personnel;
- current meeting schedules and agenda;
- internal reallocation policy;
- facilities needs and utilization;
- deferred maintenance;
- governance reporting requirements; and
- athletic programs at the universities.

Through the increased credibility that can be expected to result from the current organizational review, Regent institutions should continue to earn the confidence of Iowans and be better positioned to request that the General Assembly and the Governor provide the level of support needed as the institutions strive for even greater excellence.



## **1.0 INTRODUCTION**

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## **1.0 INTRODUCTION**

The following report presents the preliminary findings and recommendations of MGT of America, Inc., from Phase I of its organizational review of the institutions under the control of the Board of Regents, State of Iowa. The first chapter of the report provides information on project background, scope, and methodology.

### **1.1 Project Background**

The Board of Regents takes seriously its responsibility to be good stewards of Iowa's three state universities and two special schools. In fulfilling this responsibility, the Board has initiated a number of efforts over the years aimed at ensuring that operations of the institutions under its trust continue to be effective and efficient. The current organizational review is perhaps best understood within the broader framework of the Board's periodic investigations into institutional and Board operations.

In mid-1987, the Board of Regents issued a Request for Proposals seeking a consultant to conduct a management audit of its institutions and operations. The Regents' RFP was issued shortly after most other agencies of state government had been the subject of a similar review. The RFP stipulated that the Regents' audit was to be performed in two phases:

- an initial phase in late 1987 where priority needs were to be identified; and
- a more detailed follow-up phase where more thorough audits would be conducted.

The second phase lasted throughout 1988 and into early 1989 and resulted in the preparation of over 33 separate studies.

Recommendations for change from the management audit ranged from broad policy-level concerns to highly specific proposals for technical improvements in discreet operations. Approximately 425 recommendations were offered concerning the three universities, dealing with strategic planning, organization and staffing, academic program review, faculty workload, and performance evaluation. Over 100 additional recommendations were offered for improvements in the functioning of the two special schools, the Board itself, and the central office.

In 1995, the Board undertook a review of the implementation status of the recommendations that were adopted after the 1987-1989 organizational audit. Several years later, the Board sponsored a further review of its own functioning and that of its central office. These efforts signaled that the Board remained committed to a program of ongoing organizational improvements.

In June 2001, the Board of Regents determined that it was again time to engage a consultant to conduct an organizational review of the five institutions, the Board itself, and the Board's central office. The new review was to be conducted to determine how well

structured and efficient each institution is, as well as the institutions and the Board as a system.

Two additional factors contributed to the timing of the new organizational review. First, Governor Vilsack had recently engaged other state government agencies in a "government redesign" effort aimed at creating more focused and efficient state services for the citizens of Iowa. Although the Regent institutions had some level of involvement in the Governor's initiative, the Board felt a more in-depth analysis of the functioning of the universities and schools was in order. Second, the Regent institutions entered fiscal year 2002 with reduced state appropriations. The Board believed that this 6 percent reduction in state support at the beginning of FY 2002 would require its institutions to find ways to operate more efficiently and to identify opportunities for increasing revenue from other sources. Once the organizational review was under way, the Board of Regents learned of further cuts in the state's FY 2002 appropriations, placing even greater urgency on the review to find ways to operate more efficiently and increase alternative sources of revenue.

The Board stated its belief in the RFP that the institutions are well managed, especially given the recent efforts to implement recommendations from previous organizational audits. Nonetheless, the Board believes the current review will be valuable in making further improvements, and can be expected to help in the continued development of the strategic plans that are necessary to carry out the mission of each institution and the Board.

The Board has been a leader in state government in Iowa in developing efficient and effective management and oversight processes in governing its institutions. Several of these processes include major efforts in strategic planning, as well as the development and use of performance measures, program evaluations, and budget planning. Through the increased credibility that can be expected to result from the current organizational review, Regent institutions should have a renewed spirit of confidence from Iowans and be better positioned to request that the General Assembly and the Governor provide the level of support needed as the institutions strive for even greater excellence.

## **1.2 Scope of Engagement**

The Board of Regents intends for the current organizational review to be a comprehensive assessment of the programs, services, and administrative operations of the three state universities (excluding the University of Iowa Hospitals and Clinics), the two special schools, and the Board central office. As such, the review considers such issues as:

- **Academic programs.** Do current and planned programs support the mission of the institution? Are appropriate measures in place to ensure that academic offerings operate within reasonable levels of efficiency?
- **Outreach programs.** Do current and planned programs support the mission of the institution and address the needs of the state? How can the Regent institutions be a more effective partner in supporting economic development in the state?

- **Academic support programs.** Do the libraries and computer centers meet the needs of students, faculty, and staff? Is appropriate use being made of technology?
- **Student services.** Do current and potential students have access to the types of support systems needed to achieve their academic and personal development goals?
- **General administration.** Is the size of the administrative staff reasonable to support the mission of the institution? Are opportunities to outsource support functions being considered?
- **Facilities management.** Are classrooms and labs being utilized efficiently? Are deferred maintenance needs being addressed on a timely basis? Do new facilities being planned respond to priority needs?
- **Potential revenue.** Are all potential sources of revenue being appropriately pursued?

The institutions, of course, do not operate in a vacuum. Accordingly, the scope of the organizational review included an analysis of state-level and Board regulations and their impact on campus operations. In particular, MGT examined whether changes in the current regulatory environment would allow the institutions to operate more efficiently without loss of appropriate oversight by state officials and the Regents.

Several aspects of university operations were excluded from the scope of the organizational review. An example of such an exclusion is the University of Iowa Hospitals and Clinics. Also, issues related to the quality of specific academic programs were outside the scope of the review.

### **1.3 Methodology**

In Phase I of this project, the Board is seeking assistance in structuring the scope of work to be undertaken in Phases II and III of the organizational review. The consultant interviewed key individuals at the five Regent institutions, the Board, and the Board Office, and recommended a list of specific projects to be undertaken in Phase II (generally short-term studies that can be completed in the following six months) and Phase III (longer-term studies). Phase I (this RFP) was conducted between July and December 2001.

MGT's methodology and work plan included:

- an initial review, necessary revisions, and approval of a final Phase I work plan by the Board of Regents Organizational Review Steering Committee;
- a close working relationship with the Regents' project officer to ensure that the project met the expectations of the Regents and institutions;

- the collection and review of relevant institutional data, reports, policies, procedures, financial reports, and the like;
- review of relevant state rules, regulations, and reporting requirements;
- development of comparisons with selected peer institutions;
- site visits to each institution by a team of experienced professionals with a full understanding of the programs and operations of each institution;
- the inclusion of specialists in both medicine and agriculture on the appropriate site visit teams; and
- the identification of both strengths and opportunities for improvement as a part of the Phase I report.

We want to emphasize that this Phase I review is a diagnostic review designed only to identify, for additional study and review, institutional programs and operations which appear to offer opportunities for improvements in efficiency and/or effectiveness. Because this is a diagnostic review only, the findings in this report do not, in most cases, contain the level of detail necessary to make any major conclusions about institutional, program, or operational efficiency and effectiveness other than that an area should or should not be more closely examined. Any attempt to derive more detailed conclusions should be avoided.

#### **1.4 Acknowledgements**

The MGT project team dedicated numerous hours and expended considerable effort to conduct Phase I of the organizational review according to the specifications of the RFP. In addition, we wish to acknowledge the important role that others have played in shaping the report:

- the Board of Regents Organizational Review Steering Committee, which was always available to provide guidance on the scope of the engagement and reaction to preliminary findings and recommendations;
- the staff of the Board central office, who provided extensive background information and insight into the rationale behind current procedures;
- the presidents, superintendents, and designated contact persons at each institution, who facilitated our on-site visits and compilation of background information;

***Confidential Draft***

***Introduction***

- numerous students, faculty, and staff at each institution, who participated in individual and group interviews concerning the strengths and weaknesses of campus operations; and
- Governor Vilsack and other state leaders who were interviewed about their perceptions of current operations and the potential role that the Regent institutions could play in the further development of the state.

While acknowledging the significant contributions of others, MGT in no way disclaims its responsibility for the findings and recommendations that follow in the remainder of this report.

## **2.0 FINDINGS**

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## **2.0 FINDINGS**

This chapter presents the findings from our interviews with the Regents and selected state officials, our site visits to each Regent institution and our analysis of available data and information. Because of the short time frame for this Phase I review, we were not always able to obtain supporting data for our observations and findings. However, all findings and observations have been agreed to by our project team members, all of whom have had significant university management experience.

### **2.1 Accomplishments and Commendations**

While our review necessarily focused on the identification of potential improvements to efficiency at each of the Regent institutions, we also identified and want to highlight a number of significant accomplishments or commendations for each university and school as well as the Board and its staff. We believe that the citizens of Iowa should be proud of the quality of their public universities. Specific commendations are described below.

#### **Board of Regents**

- The strategic planning process and the performance indicators that have been put in place by the Board of Regents and their staff exceeds the efforts of most other Boards in the nation. This planning and evaluation process has had a major positive impact on the planning and operations of the Regent institutions.
- The review process that is in place for existing university academic programs represents a reasonable balance between Board oversight and program management.
- The commitment of the Board of Regents over the years to effective and efficient operations has paid large dividends. Many of the inefficiencies that other institutions experience, such as excessive program duplication and excessive bureaucratic processes, have already been corrected.
- The institutions governed by the Board were recognized as being in the top 10 percent nationally of all universities in information technology.
- The staff of the Board of Regents central office is one of the smallest such units in the nation. Nonetheless, the staff provide an impressive array of services in meeting the needs of the Board.

#### **University of Iowa**

- The University of Iowa leadership is committed to an intentional and ongoing process of institutional planning, evaluation, and improvement. The strategic plan for 2000-2005 outlined the



institutional mission, aspiration, core values, and goals for the future. Additionally, 24 indicators were selected to measure and evaluate implementation of the strategic plan.

- The University of Iowa has successfully implemented a four-year graduation plan for students who opt to participate in the program. Since the program was started six years ago, participation in the program has increased from approximately 50 percent to 75 percent.
- In FY 1999, the University of Iowa ranked 21<sup>st</sup> in federally financed research and development (R&D) expenditures at public universities and 21<sup>st</sup> in industry-sponsored R&D expenditures at all universities. Also in FY 1999, the University of Iowa ranked 15<sup>th</sup> among public universities and 34<sup>th</sup> among all universities in federal funding for science and engineering R&D. The University of Iowa hosts five graduate programs ranked 1<sup>st</sup> in the nation and 42 programs ranked in the top 25 nationally.
- In FY 2000, the University of Iowa ranked 27<sup>th</sup> in National Institutes of Health (NIH) funding among all universities, 9<sup>th</sup> among public universities, and 2<sup>nd</sup> among Big Ten universities.

#### **Iowa State University**

- Since 1996, Iowa State University has ranked among the top seven public universities in the nation in the number of freshman National Merit Scholars. The 2000 class of 113 scholars ranked 7<sup>th</sup> among public universities and 19<sup>th</sup> among all universities.
- In FY 1999, Iowa State University ranked 1<sup>st</sup> in the USDA National Research Initiative Competitive Grants Program, with an award of 31 grants for a total of \$5 million. In FY 1998, Iowa State University ranked 1<sup>st</sup> in license and option agreements executed on technologies by the Association of University Technology Managers, Inc.
- Iowa State University has effectively used technology to provide access to information and university services for faculty, students, and other constituents. Staff members are able to conduct business electronically using departmental credit cards and many of the student services (i.e., registration and fee payment) are available online. Additionally, ISU has put its Fact Book, a source of comprehensive and detailed data related to university performance and operations, on the Website. In recognition for these and other accomplishments, ISU was ranked 20<sup>th</sup> among the "most wired" universities by *Yahoo Internet Life* magazine in 2000.
- Iowa State University has been aggressively renovating and constructing new residence halls for students to create additional on-campus capacity as well as to modernize the facilities for the needs and preferences of today's students. Additionally, a number of

learning communities have been developed within the residence halls to promote academic excellence.

### **University of Northern Iowa**

- UNI provides a positive learning environment for students, including classes that are generally taught by Ph.D. level faculty in small to moderate sized classes. Faculty and administrators are accessible to students and consistently provide students with opportunities to share input regarding campus issues and decisions.
- UNI has a reputation for strong academic programs, particularly in education and accounting. The university has ranked 2<sup>nd</sup> among top public midwestern master's universities by *U.S. News and World Report* magazine for the past five years.
- The University of Northern Iowa has an attractive and well-maintained campus. The new Performing Arts Center is a cultural asset to the community as well as the university, and the recent renovation of the dining hall has been well received by UNI students and employees. Additionally, a leading trade association magazine, *Athletic Business*, selected the UNI Wellness and Recreation Center as one of the 10 winners in its Facility of Merit award competition.
- UNI won honorable mention (second place nationally) for the prestigious Educause Award, a competition that includes universities at all levels and recognizes high quality and progressive technology strategies. The Program of Study process is one example of UNI's innovation; it provides students with access to degree audits and enables them to run "what if" scenarios on potential changes in major. Upon receipt of the Educause Award, UNI was featured on the cover of the Educause magazine.

### **Iowa School for the Deaf**

- The Iowa School for the Deaf is commended for the employment rate of graduates, which is higher than the national average for deaf persons.
- The Iowa School for the Deaf has taken the initiative to develop cooperative agreements with local school districts and schools. As a part of this arrangement, ISD students take some classes in the community and some community school students take classes at ISD.

### **Iowa Braille and Sight Saving School**

- The Iowa Braille and Sight Saving School is commended for the employment rate of graduates, which is higher than the national average for visually impaired persons.

- The Iowa Braille and Sight Saving School has streamlined the Individual Education Plan (IEP) process. The IEP is available on the network for appropriate staff to review and provide input.

### **Overall Efficiency**

We found each of the institutions to be relatively efficient compared to institutions in other states we have reviewed in the past. Despite the overall strong internal management of the institutions, however, external conditions are creating major budget shortfalls this year and projected for future years. In light of this, our approach has been to examine every facet of operations to determine where even higher levels of efficiency can be achieved or where budget reductions can be attained without considerable harm to the institution.

### **2.2 State Government Rules, Statutes, Reporting, and Processes**

Without exception, the Regent institutions identified the adherence to state statutes as expensive, time consuming activities that require considerable reporting effort. We need to quickly emphasize, however, that none of the institutional officials expressed any desire to avoid their accountability to the state and its governing officials. The concerns centered around the lack of efficiency of many current processes and requirements and a strong belief that significant improvement can be made.

Following are the specific concerns expressed by institutional officials and staff regarding state government statutes, rules, reporting, and process requirements.

- Concern was expressed that state labor negotiators sometimes negotiate agreements which are unnecessarily expensive and not in the best interest of, or particularly applicable for, the Regent institutions.
- The state auditor may conduct any audit of institutional operations and the institution must pay whatever amount the auditor charges. Institutional officials are not objecting to the audits but believe that charges are significantly higher than what private audit firms would charge for the same audits. Community colleges and municipalities are authorized to bid these audits.
- Current state statutes require that any unspent and unencumbered state funds at the end of each fiscal year revert to the state treasury. As a result, institutional managers, make a concerted effort to spend the remaining funds, near the end of each fiscal year, usually on equipment. This end of the year exercise sometimes results in managers using the funds for lower priority needs. Some states allow institutions to carry forward a limited amount of unspent/unencumbered funds, thereby eliminating the end of the year inefficiencies.
- State statutes require competitive bids on all construction contracts over \$25,000. Competitive bids and the detailed plans and

specifications are time consuming and expensive to administer. Significant staff time and expenses could be saved if the competitive bid level were raised to a higher level. The \$25,000 limitation provides for only the smallest projects.

- Design-build and construction management are two delivery techniques that are widely accepted and utilized throughout higher education institutions across the nation. Regent institutions do not have statutory authorization to utilize design-build processes in order to deliver projects more quickly and with the best available contractor in a cost effective manner.
- For Regent institutions, equipment capitalization is established at \$2,000. The current federal government capitalization level is set at \$5,000. Equipment that is capitalized is listed as inventory and considered permanent for indirect cost calculations. The increased cost of equipment over time should be recognized at a more reasonable market rate.
- Statutes regarding settlement claims on liability and property losses do not provide adequate clarification for a more definitive settlement process. Regent universities have limited authority to manage the claims process. In many cases, it is unclear where agency responsibility falls.

### **2.3 Regent Rules, Regulations, Reports and Process Requirements**

University officials also identified some of the administrative requirements of the Board of Regents as being excessively time consuming and expensive. Again, they quickly emphasized that they are not objecting to being held accountable to the Board of Regents, but rather identifying some possible ways of reducing opportunity costs while still being fully accountable.

They identified the following Board administrative processes as being worthy of review.

- The Board's meeting schedule requires that a considerable amount of University staff time be dedicated to preparing for upcoming Board meetings. Less frequent meetings (e.g., once every six weeks) would greatly reduce the staff time and travel costs of their meetings.
- While significant progress was made several years ago in reducing the costs of governance reports, institutional officials believe that these reports are still too numerous and costly to produce. They would like to see another effort to streamline reporting requirements.
- The current agendas and time schedule of Board meetings require the attendance of large numbers of institutional staff and Board staff for most of the meetings.

- Institutional officials also believe that some action items could be delegated to the universities, including:
  - personnel appointments for lower level administrators;
  - revisions to the professional and scientific classification plans;
  - payment of bonus and salary incentives;
  - departmental organization changes;
  - new building site plans;
  - residence hall budgets and rates;
  - investment management;
  - internal audit follow-up;
  - leases, agreements and easements;
  - considerable detail on the Register of Capital Improvement Business Transactions; and
  - contract approvals for lower dollar amounts.

Although many of these items are on the consent agenda, they still require significant amounts of preparation time and costs.

- The Advisory Boards of the Special Schools do not include parents or staff representatives. As defined in the Board of Regents Procedural Guide, the Regent Advisory Committee for the IBSSS consists of (1) an administrator from each Regent university, (2) another member of each Regent university, probably a subject expert in the area of concern to the special school, (3) a Board Office representative, (4) the superintendent, (5) subject area consultant, and (6) a hearing or visually impaired person from the community.
- University officials would like to see another comprehensive review of the Regents' administrative, governance and reporting requirements and processes with the objective being to reduce costs and increase institutional response time while maintaining full institutional accountability to the Board.

## **2.4 Costs of Academic Program Delivery**

The costs of delivering educational services to students are influenced by a host of policy, organizational structure, staffing pattern, credit hour requirement, transfer policy and other factors. None of the Regent universities (and very few other universities in the U.S.) have undertaken a comprehensive review of their instructional costs with the objective of streamlining operations and reducing costs.

Based on our campus site visits, there appear to be several opportunities for reducing academic costs, including:

- Reducing administrative costs associated with small departments, institutes, centers, and colleges which have potential for consolidation. Small units often generate excessive supervisory and

administrative overhead costs. All three universities have some small administrative units.

- Increasing faculty productivity, where appropriate, by reducing administrative, committee, and other non-academic assignments for faculty and establishing and enforcing instructional workload expectations.
- Eliminating and/or consolidating small enrollment programs where appropriate. Small numbers of graduates from a program do not necessarily mean inefficient programs, but do indicate a need for more detailed analysis in view of major budget reductions facing the institutions.
- Reducing the numbers of low-enrollment duplicated courses within the university (i.e., different courses in different departments with the same content).
- Continuing efforts to minimize the numbers of credit hours "lost" by community college transfer students.
- More effectively controlling the total number of credit hours taken to graduate.
- Utilizing more efficient remedial instruction strategies.
- Increasing student enrollments in the spring and summer terms. Lower enrollments means lost revenues and increased per unit costs for support programs (e.g., library).
- Eliminating programs and services that are not part of the core mission of the institution. Concern was expressed that research centers and service bureaus exist at each university in areas that are not central to the institution's mission.
- Evaluating staffing patterns in relation to service needs at the Iowa Braille and Sight Saving School.

The Regent universities have implemented processes for establishing faculty workload "agreements" between individual faculty and the university at the beginning of each year. Based on a sample of these agreements, we found the agreements to be a major improvement in managing faculty productivity, in that the percent of each faculty member's time to be spent on instruction, research, public service, and other assignments is specified. However, beyond the percentage of time assignments, the level of specificity in these agreements varies significantly from department to department and, in many cases, does not include specific workload expectations in terms of:

- specific courses to be taught;
- numbers of students to be taught;
- research plans (for unfunded research);

- public service assignments;
- other assignments, such as:
  - new courses to be developed
  - existing courses to be adapted to distance learning or use of technology
  - new curriculum to be developed
  - committee assignments
  - administrative assignments
  - student service assignments.

## **2.5 Revenue Generation**

The recent state budget reductions, along with Governor Vilsack's September 20 caution that state revenues may be even less in FY 2003, places major emphasis on revenue generation by Iowa's universities. The current state revenue reductions for the universities for FY 2002 is \$47 million out of a total initial appropriation of \$681.2 million. Additional mid-year reductions in state appropriations have already been authorized.

As shown in Exhibit 2-1, state appropriations account for about 22 percent to 43 percent of the total education and general revenue across the Regent universities. With the exception of sales and service revenue at the University of Iowa Hospitals and Clinics, the state appropriations combined with tuition and fee revenues account for the vast majority of discretionary funds available for instructional programs. Other revenues are primarily for specific activities other than instruction. Thus, the reductions in state appropriations are particularly threatening to the universities' primary teaching missions.

In view of the current and anticipated future reductions in state appropriations, the Regent institutions must explore alternative sources of revenues. In our campus visits, it became apparent to our review team that while all three universities have been successful in generating non-state appropriated revenues, further opportunities still exist to generate additional revenues. Those opportunities include:

- Raising student tuition and/or fees;
- Providing for differential tuition in high demand programs;
- Developing public-private partnerships (where appropriate under state statutes);
- Improved marketing of contracts and grants;
- Improved marketing of institutional patents, copyrights and other proprietary products and services;
- Marketing access to students, faculty, and staff for affinity programs;
- Additional marketing and pricing of university athletic programs (to generate more athletic revenues and minimize the use of general funds for athletic programs);
- Marketing access to university resources;

**EXHIBIT 2-1**  
**EDUCATIONAL AND GENERAL SOURCES OF REVENUES**  
**BOARD OF REGENTS, STATE OF IOWA, 2000 - 2001**

REVENUE SOURCE	UNIVERSITY OF IOWA		IOWA STATE UNIVERSITY		UNIVERSITY OF NORTHERN IOWA		TOTAL	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
<b>UNRESTRICTED FUNDS</b>								
State Appropriations	318,587,761	21.1%	270,197,593	34.1%	91,829,144	38.0%	680,614,498	26.8%
Federal Support	1,895,774	0.1%	12,425,373	1.6%	-	0.0%	14,321,147	0.6%
Interest	1,257,440	0.1%	1,748,369	0.2%	426,180	0.2%	3,431,989	0.1%
Tuition and Fees	125,772,900	8.3%	101,403,362	12.8%	36,506,393	15.1%	263,682,655	10.4%
Reimbursed Indirect Costs	34,446,001	2.3%	10,096,672	1.3%	1,536,354	0.6%	46,079,027	1.8%
Sales and Services <sup>1</sup>	443,431,150	29.4%	262,954	0.0%	656,244	0.3%	444,350,348	17.5%
Other Income	1,728,743	0.1%	1,603,509	0.2%	-	0.0%	3,332,252	0.1%
<b>SUBTOTAL</b>	<b>927,119,769</b>	<b>61.4%</b>	<b>397,737,832</b>	<b>50.2%</b>	<b>130,954,315</b>	<b>54.2%</b>	<b>1,455,811,916</b>	<b>57.2%</b>
<b>RESTRICTED FUNDS</b>								
State Appropriations	18,953,688	1.3%	14,706,324	1.9%	11,358,035	4.7%	45,018,047	1.8%
Federal Support	150,028,989	9.9%	86,976,005	11.0%	17,798,703	7.4%	254,803,697	10.0%
Interest		0.0%	4,814,845	0.6%	3,961,274	1.6%	8,776,119	0.3%
Tuition and Fees	20,052,725	1.3%	3,496,929	0.4%	8,282,666	3.4%	31,832,320	1.3%
Reimbursed Indirect Costs	13,866,173	0.9%	4,758,761	0.6%	-	0.0%	18,624,934	0.7%
Sales and Services <sup>1</sup>	181,142,301	12.0%	19,340,491	2.4%	52,296,157	21.6%	252,778,949	9.9%
Other Income	198,787,242	13.2%	260,033,054	32.8%	16,951,813	7.0%	475,772,109	18.7%
<b>SUBTOTAL</b>	<b>582,831,118</b>	<b>38.6%</b>	<b>394,126,409</b>	<b>49.8%</b>	<b>110,648,648</b>	<b>45.8%</b>	<b>1,087,606,175</b>	<b>42.8%</b>
<b>TOTAL FUNDS</b>								
State Appropriations	337,541,449	22.4%	284,903,917	36.0%	103,187,179	42.7%	725,632,545	28.5%
Federal Support	151,924,763	10.1%	99,401,378	12.6%	17,798,703	7.4%	269,124,844	10.6%
Interest	1,257,440	0.1%	6,563,214	0.8%	4,387,454	1.8%	12,208,108	0.5%
Tuition and Fees	145,825,625	9.7%	104,900,291	13.2%	44,789,059	18.5%	295,514,975	11.6%
Reimbursed Indirect Costs	48,312,174	3.2%	14,855,433	1.9%	1,536,354	0.6%	64,703,961	2.5%
Sales and Services <sup>1</sup>	624,573,451	41.4%	19,603,445	2.5%	52,952,401	21.9%	697,129,297	27.4%
Other Income	200,515,985	13.3%	261,636,563	33.0%	16,951,813	7.0%	479,104,361	18.8%
<b>GRAND TOTAL</b>	<b>1,509,950,887</b>	<b>100.0%</b>	<b>791,884,241</b>	<b>100.0%</b>	<b>241,602,963</b>	<b>100.0%</b>	<b>2,543,418,091</b>	<b>100.0%</b>

<sup>1</sup> Includes University of Iowa Hospitals and Clinics



- More effectively and aggressively marketing university resources in the summer months (e.g., camps, conventions, and conferences);
- Establishing user fees for university services;
- Increasing summer enrollments; and
- Improvements, where possible, in cash flow management so as to generate more interest revenues.

In our interviews, some university faculty and administrators expressed concerns about "too much" emphasis possibly being placed on revenue generation based on a fear that the academic culture of the universities would become "commercialized". Further, we recognize that state statutes prohibit competition with private businesses; nonetheless, other universities have been able to generate significant amounts of non-state appropriated revenues, in a manner consistent with state laws and university mission, without damaging their academic environment.

In view of the loss of state appropriated revenues, each of the Regent universities needs to fully assess their revenue generation opportunities and develop a revenue enhancement plan with specific goals and time schedules.

## **2.6 Use of Technology**

The use of technology both for instructional and administrative purposes differs significantly among the Regent institutions, as it should. The universities have made considerable progress in making technology accessible in classrooms and to students outside of the classroom. Similarly, progress has been made in the use of technology in university administrative processes. The following administrative systems are now automated:

- student registration
- student records
- financial records
- purchasing
- human resources
- payroll
- accounts payable
- student financial aid
- physical plant work order system.

The Universities have made significant progress in automating both transactional record-keeping and administrative functions over the past five years. Some problems continue to exist, however, in transferring information from one system to another, and are being addressed as resources are available.

## **2.7 Administrative Systems**

The observations of our review team were that all of the administrative and support systems at all five of the Regent institutions are effectively getting the job done. We found no major concerns among students, faculty, staff, or administrators that particular administrative or support systems were not working or even that major delays were occurring. However, continued development and enhancement of the system is ongoing, expensive, and time consuming. Questions were raised about the efficiency of the administrative and support systems with some administrators suggesting that a re-engineering of an administrative process, combined with greater use of technology, could further reduce the operating costs of the institutions' administrative and support systems.

We did hear concerns about both the quality and costs of services and time delays relating to the Physical Plant projects. The law requiring plans and specifications for projects over \$25,000 to be bid and a general diminishing level of project funds undoubtedly have a major impact on these components. University internal approval processes for capital projects also contribute to delays and costs.

The administrative process for developing the Individual Education Plan (IEP) at the Iowa School for the Deaf is time consuming and does not fully utilize technology in a way that could potentially streamline the overall effort. An IEP is required, by state and federal law, for each student at ISD. The IEP is the document that records the decisions reached in the IEP meeting and sets forth in writing a commitment of resources necessary to enable an individual to receive needed special education and related services appropriate to the individual's special learning needs. At ISD, the counselors coordinate the IEP meetings, which include the parent, a general education teacher, a special education teacher, a representative for the Area Education Agency and a representative from the Local Education Agency. The counselors spend an extensive amount of time trying to make the initial contact with the various members of the IEP team and trying to set up the first meeting. Other institutions have streamlined this process through greater use of technology.

## **2.8 Outsourcing**

Outsourcing opportunities often offer institutions a way to reduce costs by contracting with vendors who, because they specialize in particular services, can provide those services at a lower cost. For example, a firm that specializes in food service will have more industry knowledge to enable them to purchase equipment, supplies, and food at lower costs than the university. In some cases, the firm also is more skilled at organizing, staffing, and managing operations. Additionally the firm may have lower labor costs, so that total costs can often be well below those of a university that operates its own services.

Outsourcing may also provide an opportunity for the university to generate additional income. For example, outsourcing book store operations may provide a vendor access to the student and faculty market for a wider range of products. In such cases, vendors are often willing to pay extra for that market access. Front end contract contributions for facility enhancement is common in these contractual relationships.

The Regent universities are already outsourcing a wide range of programs and services. Based on our interviews with university officials and managers, we believe further opportunities exist at each of the Regent universities to reduce costs and, in some cases, to increase revenues by outsourcing additional programs and services.

## **2.9 Purchasing**

The Regent institutions have introduced greater purchasing efficiencies while ensuring and maintaining a consistently high level of quality. The institutions all follow Regent's Guidelines on bid levels. Purchasing cards are used for small purchases under the bid level as a way to expedite acquisitions and provide departments with needed flexibility.

The universities have a long tradition of cooperation with others when cost effective opportunities exist. The universities have already begun the establishment of functioning university systems with shared databases and electronic access. E-procurement, which will enhance efficiencies significantly, will soon be available on the campuses. In addition:

- All five institutions buy off of the state contract when it is to their advantage to do so.
- The institutions have group contracts and periodically pool their purchases to get volume discounts.
- The universities have, for many years, participated in a number of national cooperative purchasing consortia such as:
  - The Educational and Institutional Cooperative – a not-for-profit purchasing cooperative consisting of over 2,000 tax-exempt colleges, universities, preparatory schools, hospitals, medical research institutions, and hospital purchasing organizations in the United States;
  - The University of Iowa and Iowa State University participate in a purchasing group with other Big 10 universities; and
  - The University of Iowa participates in the Committee on Institutional Cooperation Purchasing Consortium and the University Health System Consortium which comprises of most of the major teaching hospitals in the United States.

In addition to these efforts, the review team recommends that the institutions continue to explore possibilities for enhancing purchasing efficiencies and cost savings.

## **2.10 Facility Planning, Construction, Maintenance, and Utilization**

Through the course of our site visits we learned that:

- Facility construction and renovation projects are based upon carefully designed and approved campus master plans. However,

neither the Regents nor the universities use facility planning and utilization guidelines in establishing the master plan or in determining when a university needs a new building or needs to remodel existing buildings. The evaluation processes currently in place represent sound management, but could be further improved by the use of needs assessment guidelines.

- Officials at all of the Regent institutions voiced concern about the considerable backlog of deferred maintenance. Our review indicates that the deferred maintenance needs of the institutions are valid, but they do not fully report all deferred maintenance. For this reason, neither the University nor the Board of Regents have a complete baseline of needs from which to determine whether progress is being made in eliminating such needs. The institutions do not use common methods to measure the level of deferred maintenance on each campus. Although the lack of common method does not, in any way, invalidate the reported needs at each campus, it may mean that the data are not comparable when used to allot limited funds among the institutions.
- Our sample analysis of facilities at the Regent institutions indicated that all of the institutions can improve the utilization of existing space.
- The Regent universities do not fully utilize their resources, including facilities, in the spring and summer terms. Summer enrollments are significantly less than fall and spring enrollments at all three universities. Smaller enrollments mean fewer classes, smaller class sizes, lower faculty productivity, more vacant classrooms and lower occupancy when the classrooms are used. To minimize the impact of lower summer enrollments, the universities host a variety of activities (e.g., sports camps) which bring revenue to the residence hall program.
- During our interviews, university program managers at all three universities raised questions about the efficiency of the physical plant operations at their institutions.
- Approximately one-third of facility space on the IBSSS campus is underutilized. IBSSS has over 197,000 square feet of facility space on its campus in Vinton, Iowa. At the time of our visit, IBSSS was leasing space to the Vinton-Shellsburg CSD administrative offices and PDC classroom, the Department of Health, and a day care center (the day care center moved to a location off campus on October 15, 2001). Also, the residential hall, Rice Hall, is currently under renovation and Palmer Hall has been made into the residential hall. This renovation is expected to be completed in the Spring of 2002. It is estimated that once this renovation project is complete, approximately one-third of the space will be underutilized.

## **2.11 Athletics**

The intercollegiate athletics programs at the three Regent universities present both complex and perplexing issues for both the universities and the Regents.

- National competition has driven the compensation for certain coaches far beyond the compensation of most university faculty, staff and administrators.
- The need for increased revenue to pay the higher salaries has caused many universities to highly commercialize their popular sports such as football and basketball. Large capital investments have been made in full service sky boxes with preferential parking, seating, and other amenities for individual and corporate sponsors. Extensive advertising in stadiums and coliseums as well as sporting goods stores and in programs have been sought to produce more revenues. In short, intercollegiate sports at many universities have become highly commercialized with significant perquisites provided to booster supporters.
- Title IX has required the increase of athletic programs for women's sports. These expansions have diverted funds away from the higher profile sports and required, in many cases, the use of general fund dollars to help support the overall athletic program.
- Athletic programs and their revenues are, at the same time, major financial contributors to their universities in the form of:
  - tuition and fees for athletic scholarships
  - financial support for school bands
  - lease/debt payments on coliseums
  - food service
  - summer school
  - tutoring
  - student employment
  - academic training program
  - housing/rent/utilities.
- Athletics also serve as a vehicle for many Iowa citizens, alumni and potential students to identify with the university. This provides opportunities to cultivate these relationships to enhance recruitment and to develop the potential for major gifts to the university.
- In economically difficult times, such as Iowa's universities are now experiencing, large compensation packages for coaches, heavy investments in athletic facilities, increased emphasis on commercialization of sporting events, and preferential treatment of boosters emphasize the questions about university priorities. Yet, many feel that the failure to do these things will place Iowa's universities at a major disadvantage in recruiting coaches and top

athletes which will, in turn, lead to losing seasons and lower revenues.

- While the issue of national competition, higher salaries and heavy commercialization have been addressed at the national level, the trend toward more and more continues among the nation's universities, like an "arm's race."

While some increases in efficiencies can be achieved in the athletic programs, such efficiencies will not be nearly enough to solve the existing problems.

The Regents have recently recognized the need for more attention to athletics and have re-instituted a special study group to examine such issues. The special study group will need to continue to monitor the appropriate role of intercollegiate athletics at the universities.

### **2.12 Regents' Two Percent Reallocation Policy**

Current Regents' policy requires that each institution reallocate two percent of its annual education and general budget each year as a way of incrementally shifting budget dollars from low to high priority programs and activities. Because of the severe reductions in state appropriated funds this year, the institutions will most likely be unable to fully comply with the letter of the two percent policy, but have, in spirit, by making larger reductions in low priority programs and activities.

Our review of the institutions' implementation of the two percent reallocation policy in prior years indicates that the policy has enabled the institutions to utilize their funds more effectively and to transfer funds from lower to higher priority programs and activities. However, for the most part, the two percent reallocations have been made within departments or colleges and not among colleges or university divisions.

### **2.13 Economic Growth**

Interviews with both Regents and state officials revealed a perceived need for the Regent universities to do more to advance the state's economy. Perhaps the state of the state's economy at this time combined with the shortfalls in state tax revenues heightens this interest or, more importantly, emphasizes its importance.

Interviewees pointed out that while Iowa is a national leader in providing postsecondary education to its population, the state is near the top, nationally, in the proportion of its educated workers who migrate to other states with greater job opportunities. Most state and university officials agree that this out migration will continue until the state's economy creates the necessary job opportunities to hold graduates in the state. For this reason, it is critical that the state marshal all of its resources, including those of its universities, to create economic growth.

Universities are already making major contributions to economic growth. In its simplest form, economic growth of a state depends upon two major factors:

1. Using the state's goods and services to bring dollars from outside of the state into the state; and
2. Holding on to the imported dollars as long as possible before they are spent out-of-state.

For Iowa's economy to grow, it must concentrate heavily on both of the above factors. To this end, the state's public universities, unlike most other state agencies, are major contributors to the state's economy. Iowa's universities bring into the state huge amounts of out-of-state dollars in terms of both contracts and grants and out-of-state students. As shown in Exhibit 2-2, Iowa's three public universities, conservatively, bring into the state over \$610.5 million per year from other states. For the most part, these are dollars that would never have entered the state's economy had the universities not brought them in.

When combined with the estimated turnover of the dollars before they escape the state, Iowa's public universities generate about \$1.2 billion per year in gross state product just from their import of out-of-state dollars. This income generates about \$122 million per year in state and local tax revenues.

No other state or locally public funded organization generates such major contributions to the state's economy. For this reason, state decision makers need to be careful that they do not, in their budget reductions, damage the universities' ability to import dollars from other states in the form of contracts and grants, corporate donations, and out-of-state students.

Beyond the immediate contributions to Iowa's economy from the import of dollars, the Regent universities make other significant contributions, including:

- Providing the state with an educated work force;
- Providing the results of research in the form of patents and copyrights;
- Promoting the transfer of the results of university research into the economy;
- Promoting the development of new businesses;
- Providing continuing education for the state's citizens; and
- Providing advice on business strategies and techniques, particularly agriculture.

The overall conclusion of our project team is that the Regent universities have been, and continue to be, major contributors to the state's economic growth. We did, however, observe two areas where improvements can be made in the universities' contributions to the state's economy:

**EXHIBIT 2-2**  
**GROSS ESTIMATE OF ANNUAL OUT-OF-STATE DOLLAR CONTRIBUTIONS**  
**TO IOWA'S ECONOMY BY IOWA'S UNIVERSITIES, 1999-2000**

University	Federal C&G Revenues a/	Out-of-State Student Revenues		Total Out-of-State Revenues	Earnings Multiplier d/	Total Addition to State's Gross Product	Est. State & Local Taxes Generated e/
		Tuition & Fees b/	Living Expenses c/				
Iowa State University	\$128,277,000	\$69,221,704	\$42,150,000	\$239,648,704	2.0	\$479,297,408	\$47,929,740
University of Iowa	\$179,564,325	\$108,545,622	\$57,186,000	\$345,295,947	2.0	\$690,591,894	\$69,059,189
University of Northern Iowa	\$13,088,000	\$7,341,114	\$5,232,000	\$25,661,114	2.0	\$51,322,228	\$5,106,144
<b>Total</b>	<b>\$320,929,325</b>	<b>\$185,108,440</b>	<b>\$104,568,000</b>	<b>\$610,605,765</b>		<b>\$1,221,211,530</b>	<b>\$122,095,073</b>

a/ Source: Institutional Finance Reports.

b/ Based on 1999-2000 student tuition/fees and enrollments by institution and level.

c/ Estimated at \$6,000 per student per year.

d/ Source: Larry L. Leslie and Paul T. Brinkman, *The Economic Value of Higher Education*, American Council on Education and Macmillan Publishing Company, 1998.

e/ Based on 10% of gross product.



- The economic development programs of the state's business leaders, Department of Economic Development, the community colleges and universities would benefit from more partnerships. Partnerships among these and other appropriate entities in both planning and executing a well coordinated economic development program could significantly enhance the state's economic growth. If the power of the universities' education, research and public service programs, including cooperative extension, were directed toward a common set of economic development goals also supported by other state organizations, the state could significantly improve the performance of its economy.
- The state funded research activities of ISU and UI would benefit from further efforts to coordinate and utilize available resources more effectively to support state economic growth.

#### **2.14 Employee Health Insurance Coverage**

The Regent institutions provide health insurance coverage for their employees under two different plans.

- Merit employees are covered under the state health benefit plan and the Regent institutions must pay whatever annual rates the state establishes. For FY 2002, the health coverage costs for merit employees increased by 30 percent. (All employees of both Special Schools have the same coverage as the merit employees of the three universities.)
- Faculty and professional and scientific employees are covered by health benefit plans chosen by each of the Regent institutions. For FY 2002, the annual costs for these employees increased from 5 to 19 percent. Additionally, at UNI, the United Faculty union negotiates benefit provisions with the university for those faculty included in the unit.

National studies indicate that under current policies, health insurance premiums will continue to rise at 10 percent to 15 percent per year. The Regent institutions are currently spending about \$93 million per year on employee health insurance benefits. Thus, a 10 to 15 percent annual increase costs the institutions about \$9 million to \$14 million more each year unless actions are taken to reduce those costs.

Employers across the nation are facing the same problem of rapidly increasing health insurance costs. Like the universities, many are taking action to either reduce the costs or at least control future growth. The actions being taken, at the moment, depend upon each employer's unique situation, but include strategies such as:

- significantly increasing employee co-pays or deductibles;
- breakout of coverages and contracting separately for some treatments;

- direct contracting with some providers;
- reducing/limiting benefits; and
- more intense monitoring of provider charges.

Whether now or later, the Regents will have to continue efforts to address the escalating costs of employee health coverage and take corrective actions.

### **2.15 Enterprise Funds**

Enterprise funds are institutional operations, or units, which operate similar to businesses in that they charge for their services and must manage their staffing, workloads, revenues and expenditures so as to at least break even on a financial basis. Another term used to describe enterprise funds is cost recovery units. All of the Regent universities utilize enterprise funds.

To be most effective, enterprise funds need to be fully dependent on earned revenues and subject to competition from private businesses. Many of the funds meet this test, but some do not. Most of the cost recovery units also receive some direct funding and some operate on a sole source basis. As a result, during our site visits, we heard complaints about both the prices charged and the quality of services provided by the units, two common complaints about sole source vendors. In some cases, the cost recovery units seem to have set abnormally high prices as a way of discouraging their customers from consuming certain services.

While monopolistic enterprise funds offer the advantage of allowing customer units to decide on the level of service they want to consume, they do very little to ensure the efficiency of the operations. In fact, the administrative costs of monopolistic enterprise funds may exceed any cost savings associated with the establishment of the unit.

### **3.0 RECOMMENDATIONS**

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### **3.0 RECOMMENDATIONS**

Based on the facts and findings in the previous chapter, our review team has developed the recommendations contained in this chapter. In accordance with the three project phases identified by the Regents in the initial Requests for Proposals, we have divided our recommendations into Phase II actions and Phase III actions. Phase II actions are those that can be completed in a relatively short time frame and which will produce immediate cost savings or revenue enhancements. Phase III actions are those which will take longer to complete or longer to realize cost savings or revenue enhancements.

#### **3.1 Phase II Recommendations**

##### **RECOMMENDATION II-1:**

The Board of Regents should review their current meeting schedule and agenda arrangements to determine if travel costs can be reduced and staff productivity increased while still enabling the Regents to fully execute their responsibilities. In reducing the number of traditional meetings, the Regents should take advantage of appropriate alternative approval methods for time-sensitive matters. By strategically sequencing agenda topics, staff waiting time can be minimized, and more time will be available to attend to other assignments. Board staff should solicit suggestions from institutional personnel on how to accomplish this goal.

##### **RECOMMENDATION II-2:**

A Board of Regents committee should review the current purchasing, contracting, and personnel appointment approval thresholds with the objective of delegating more decision-making authority to the institutions. Greater delegation of authority will reduce both the materials preparation time and the number of university staff who attend Board meetings.

##### **RECOMMENDATION II-3:**

The Board of Regents should prioritize and undertake a review of the instructional, research, and public service delivery systems at each university with the objective of streamlining the delivery systems and reallocating academic resources. The review might include the following structures, policies, and procedures:

- Academic organizational structure and administrative costs;
- Course duplication;
- Faculty productivity, including extra-curricular assignments;
- Course sizes and scheduling;
- Articulation of community college students;
- Total credit hours to graduate;
- Summer enrollments;

- Small enrollment programs;
- Low priority programs not essential to the core mission;
- Enrollment management;
- Remedial courses; and
- Outsourcing opportunities.

**RECOMMENDATION II-4:**

**The Board of Regents should prioritize and conduct a review of revenue enhancement opportunities and establish a revenue growth schedule for each university. The review may include the following:**

- Student tuition and fees;
- Contract and grant revenue;
- Marketing access to students, faculty, and staff;
- Marketing university patents and copyrights;
- Sales of university products and services;
- Increased summer enrollments;
- Program participation fees;
- Collection of overhead charges;
- Cash management practices;
- Investment practices;
- Leases of university assets (e.g., Instructional Television Fixed Services Licenses); and
- Sporting and entertainment event revenues.

**RECOMMENDATION II-5:**

**The Board of Regents should conduct an evaluation of its health benefit plans for faculty and professional and scientific employees to learn of actions taken to manage costs and to determine appropriate action to control future cost increases.**

**RECOMMENDATION II-6:**

**The Board Regents, working with institutional officials, should conduct a review of the purchasing policies and practices with the objective of reducing both the operational costs of purchasing activities and the prices paid for goods and services. The review could include:**

- Purchasing policies, procedures, staffing, and costs on each campus;
- Assessment of automated purchasing systems on each campus;
- Interviews with selected vendors regarding ways to further reduce prices charged to the institutions;
- Current and potential cooperative purchasing arrangements;
- Buying patterns and schedules; and
- Shipping/receiving procedures and costs.

**RECOMMENDATION II-7:**

The Board of Regents should review the processes and the results of the reallocation policy over the past five years.

**RECOMMENDATION II-8:**

The Iowa School for the Deaf should conduct a business process analysis of the individual education plans (IEP) process to identify opportunities for increased efficiency through the use of technology and changes to the process. The purpose of the business process analysis would be to streamline the internal IEP process and to ensure efficient development of the document, efficient notification and assembly of the involved parties, and increased accessibility of the document.

**RECOMMENDATION II-9:**

The Board of Regents should review the role and composition of the special schools Advisory Boards and update as necessary. Consideration should be given to inclusion of representatives of parents, special school staff, students, K-12 educators, and the Department of Education.

**RECOMMENDATION II-10:**

The Board of Regents should, after further study, propose modifications to state statutes and other policies to achieve efficiencies through the following authorizations:

- Authorize institutions to bid auditing services currently being provided by the state auditor. This provision would be consistent with authority granted to community colleges and municipalities.
- Authorize institutions to carry forward unspent and unencumbered balances at the end of the fiscal year thereby eliminating purchases made for lower priority items simply to use up all available funds.
- Authorize institutions to contract for minor construction projects up to \$250,000 without utilizing formal competitive bids. The current threshold of \$25,000 provides only for the smallest of projects and needs to be increased to provide for more effective project delivery.
- Authorize institutions to construct facilities utilizing design-build techniques. This will provide for improved delivery timetables with the best available contractor in a cost effective manner.
- Authorize the institutions to establish equipment capitalization levels up to \$5,000, which is the federal level. The current level of \$2,000 represents a threshold that is outdated. The capitalization of equipment requires that it be carried as inventory and considered permanent for indirect cost calculations.
- Amend existing statutes and rules relating to settlement claims on property losses and small liability claims to provide for a more definitive settlement process. Institutions should be delegated authority to manage the claims process. In many cases, it is unclear

where agency responsibility falls in settling claims, especially those related to fire damage.

### **3.2 Phase III Recommendations**

#### **RECOMMENDATION III-1:**

The Board of Regents should examine criteria and models for assessing the total facility space needs and the level of classroom and laboratory utilization and for guiding the design of new and renovated buildings. This objective system should then be used as a guideline to assess the facility needs and utilization of each campus.

#### **RECOMMENDATION III-2:**

The Board of Regents should review the process used to determine deferred maintenance needs of the institutions and assess the full needs of the institutions in deferred maintenance funds.

#### **RECOMMENDATION III-3:**

The Board of Regents should review its governance reporting requirements with the objective of streamlining the reporting requirements while maintaining an adequate accountability system.

#### **RECOMMENDATION III-4:**

The Board of Regents, working with university officials, should continue to monitor the athletic programs at each of the universities. The monitoring should include:

- Current and potential revenue sources; and
- Organizational, administrative, and governance issues.

#### **RECOMMENDATION III-5:**

Each university should prioritize and continue to undertake, when appropriate, re-engineering studies of institutional administrative and support services with the objective of reducing operating costs by eliminating unnecessary and duplicative work tasks, eliminating bottlenecks, and improving automated systems, where cost effective, and report actions taken to the Board of Regents.

#### **RECOMMENDATION III-6:**

Each of the Regent universities should conduct a critical review of both current enterprise funds and potential new enterprise funds. The evaluation of current funds should include: (1) a determination of whether to keep the fund, (2) a phased elimination of direct funding, (3) the introduction of competition from private businesses, and (4) a determination of whether savings could be achieved

**by outsourcing the operation.** The evaluation of potential enterprise funds should include the identification and assessment of other opportunities to establish such funds.

**RECOMMENDATION III-7:**

**The Iowa Braille and Sight Saving School should conduct an in-depth review of the administrative procedures and the roles and responsibilities of administrative and support staff to determine where effectiveness and efficiencies can be gained.**